

Message Text

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INFO OCT-01 ISO-00 CIAE-00 PM-07 H-03 INR-10 L-03 NSAE-00

NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20 USIA-15

SAM-01 USIE-00 SSO-00 NSCE-00 INRE-00 EB-11 FEA-02

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C O N F I D E N T I A L STATE 026707

E.O. 11652:GDS

TAGS: PFOR, MARR, IC, NATO

SUBJECT: ALLEGED SOVIET OIL THREAT

REFERENCE: (A) STATE 20397; (B) PINKNEY-IRVING TELECON

2/7/74

1. WARREN NELSON, UPI, HAS PUT OUT THE FOLLOWING STORY DATED FEB. 8: QUOTE WASHINGTON (UPI)--THE SOVIET GOVERNMENT HAS "LEANED" ON ICELAND, THREATENING TO STOP SENDING OIL TO THE TINY NORTH ATLANTIC STATE UNLESS IT ORDERS THE UNITED STATES MILITARY OUT OF BASES THE PENTAGON CONSIDERS THE KEYSTONE TO ATLANTIC DEFENSES, ADMINISTRATION SOURCES SAID TODAY. ONE SOURCE CALLED THE SOVIET THREAT "A CLEAR EXAMPLE OF HOW THE ARAB OIL BOYCOTT HAS RAMIFICATIONS WE
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HAVEN'T EVEN BEGUN TO CONSIDER. IN THE ERA OF CHEAP,

AMPLE OIL, MOSCOW COULD NEVER HAVE LEANED ON A COUNTRY LIKE THIS." THE SOURCES SAID THE SOVIET ACTION WAS AN "IMPLIED THREAT" SO THAT IF THE ICELANDERS CALLED MOSCOW'S BLUFF, THE SOVIETS COULD BACK AWAY AND CLAIM TO HAVE BEEN MISUNDERSTOOD. THE ICELANDIC AMBASSADOR TO WASHINGTON, HARALDUR KROYER, TOLD UPI IN AN INTERVIEW: "THERE IS NO FOUNDATION FOR THIS RUMOR...THERE HAVE BEEN SOME DELAYS IN DELIVERIES OF OIL OVER THE LAST MONTH, BUT THESE DELAYS ARE PURELY TECHNICAL." HE SAID THE SOVIETS REPORTED THE DELAYS WERE DUE TO DIFFICULTIES IN MEETING THEIR SHIPPING OBLIGATIONS TO OTHER COUNTRIES. ONE U.S. OFFICIAL CONTENTED THIS ACTUALLY WAS A SOVIET HINT. BUT HE SAID, "I DOUBT IF

THE RUSSIANS WOULD REALLY CARRY OUT THE THREAT IF ICELAND JUST CALLED THEIR BLUFF." MOSCOW ONCE BEFORE USED TRADE TO PRESSURE ICELAND, WHICH HAS A POPULATION OF ONLY 200,000. IN 1948 SOVIET BOSS JOSEF STALIN HALTED ALL TRADE WHEN ICELAND DECIDED TO JOIN THE MARSHALL PLAN. TRADE WAS RESUMED IN 1953 BUT THE SOVIET UNION LIMITED THE GOODS ICELAND COULD BUY WITH HER RUBLES TO A FEW ITEMS, PRINCIPALLY FUEL. ICELAND IMPORTED 2.6 MILLION BARRELS OF PETROLEUM PRODUCTS FROM THE SOVIET UNION IN 1972. THAT IS ONLY A FOUR-HOUR SUPPLY FOR THE UNITED STATES. BUT EXCEPT FOR AIRPLANE FUELS, ICELAND GETS VIRTUALLY ALL HER PETROLEUM FROM RUSSIA. THE UNITED STATES HAS 3,000 MEN ON ICELAND STATIONED AT THE AIRFIELD AT KEFLAVIK. SINCE THE EARLY 1950S THE BASE HAS BEEN USED FOR FLIGHTS OVER THE OCEAN PASSAGEWAYS THE SOVIETS MUST USE TO GET HER SHIPS AND SUBS OUT OF THE ARCTIC AND INTO THE ATLANTIC. THE U.S. NAVY CONSIDERS THE BASE ESSENTIAL TO NATO TO MONITOR THE SOVIET NAVY IN PEACE AND BOTTLE IT UP IN WAR. GENERALLY U.S. MILITARY EXPERTS CONTEND LOSS OF THE BASE WOULD BE VERY DAMAGING. BUT SOME SAY THE PATROLS COULD BE RUN FROM GREENLAND AND SCOTLAND AND THAT THE MAIN FEAR IS THAT MOSCOW WILL GET HER HANDS ON ICELAND AND UNCORK THE BOTTLENECK FOR HER SHIPS. SOVIET PLANES ON ICELAND, THEY SAY WOULD THREATEN TO INTERCEPT AMERICAN SUB HUNTERS AND KEEP THEM FROM TRACKING RUSSIAN VESSELS. THE COALITION GOVERNMENT NOW IN POWER IN ICELAND CONTAINS TWO MINISTERS FROM THE PRO-COMMUNIST PARTY WHICH IS PLEDGED TO END THE CONFIDENTIAL

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AMERICAN PRESENCE END QUOTE.

2. NO QUESTIONS WERE ASKED AT DEPARTMENT'S PRESS BRIEFING FEBRUARY 8. IF ANY QUESTIONS ARE RAISED, WE INTEND TO REPLY: "WE KNOW NOTHING ABOUT SUCH A SOVIET THREAT. WE HAVE HEARD THAT SOVIET OIL SHIPMENTS TO ICELAND MAY HAVE FALLEN SHORT OF EXPECTED DELIVERIES". KISSINGER

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